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California's Lockyer Says Moody's Global Scale Option Is Not Enough

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SAN FRANCISCO -Moody's Investors Service's proposal to offer municipal issuers the option of obtaining global scale ratings in addition to municipal scale ratings for tax-exempt debt is a good start - but it doesn't go far enough, according to California Treasurer Bill Lockyer.

Moody's needs to make three major changes to that proposal, Lockyer said in a letter released yesterday and written in response to the rating agency's request for comments on its global-scale plan.

Moody's currently offers global scale ratings to municipal issuers issuing taxable debt. For California taxable general obligation bonds, which carry an A1 rating on Moody's municipal scale, Moody's assigns its Aaa global scale rating.

Lockyer said Moody's should work toward creating one rating scale for all issuers. In the meantime, he made three suggestions to Moody's about its global-scale rating proposal.

Lockyer said bonds eligible for money-market funds should only be assigned a global-scale rating, to make it clear that municipal bonds with sufficient creditworthiness qualify for money market trading. He said global scale ratings should be assigned to all tax-exempt municipal bonds, not just when issuers

request one. And he said Moody's should not charge issuers any additional fees to obtain a global scale rating.

Lockyer has been spearheading a campaign to change the rating system, which he says imposes a double standard on municipal bond issuers by assigning them lower ratings than corporate debt issuers despite a lower default rate.

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